

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6475
BILL NUMBER: SB 196

DATE PREPARED: Dec 9, 1998
BILL AMENDED:

SUBJECT: Homestead credits.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		95,100,000	197,200,000
Net Increase (Decrease)		(95,100,000)	(197,200,000)

Summary of Legislation: This bill increases the homestead credit to 20% for calendar years 2000 and 2001 and to 14% in calendar year 2002 and thereafter. (Under current law, the homestead credit is at 10% through 2001 and decreases to 4% beginning in 2002).

Effective Date: July 1, 1999.

Explanation of State Expenditures: This proposal would add an additional 10% homestead credit to the current statutory credits beginning in CY 2000. In CY 1998, Homestead Credits (at 10%) amounted to about \$164.8 million. The cost of the current 10% credit for CY 2000 and CY 2001 is estimated at \$190.1 million and \$204.2 million, respectively. By increasing the credit to 20% in CY 2000 and CY 2001, the cost of homestead credits would double in those years. The cost of the current 4% credit in CY 2002 is estimated at \$93.9 million. An increase to 14% would bring the total cost in CY 2002 to about \$328.7 million.

The increase in homestead credits under this proposal is estimated at \$190.1 million in CY 2000, \$204.2 million in CY 2001, and \$234.8 million in CY 2002. (The upcoming reassessment which is effective in CY 2002 explains the larger increase in the cost of the credit in CY 2002). On a fiscal year basis, the increase would amount to **\$95.1 million in FY 2000, \$197.2 million in FY 2001, and \$219.5 million in FY 2002.**

Homestead Credits are paid from the Property Tax Replacement Fund (PTRF). In the event that the PTRF falls short, a transfer is made from the State General Fund to cover the difference. Since these transfers are needed each year to cover PTRF expenditures at current rates, the funding for this proposal will ultimately come from the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: Local revenues would remain unchanged under this proposal. Net property tax bills for homeowners would be reduced by an additional 10% beginning in CY 2000.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database.